Public

CM093: Extending the principles of the User Commitment Methodology to Final Sums Methodology as a consequence of CUSC Modification – CMP417

Workgroup 2, 14 October 2025

Online Meeting via Teams

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WELCOME

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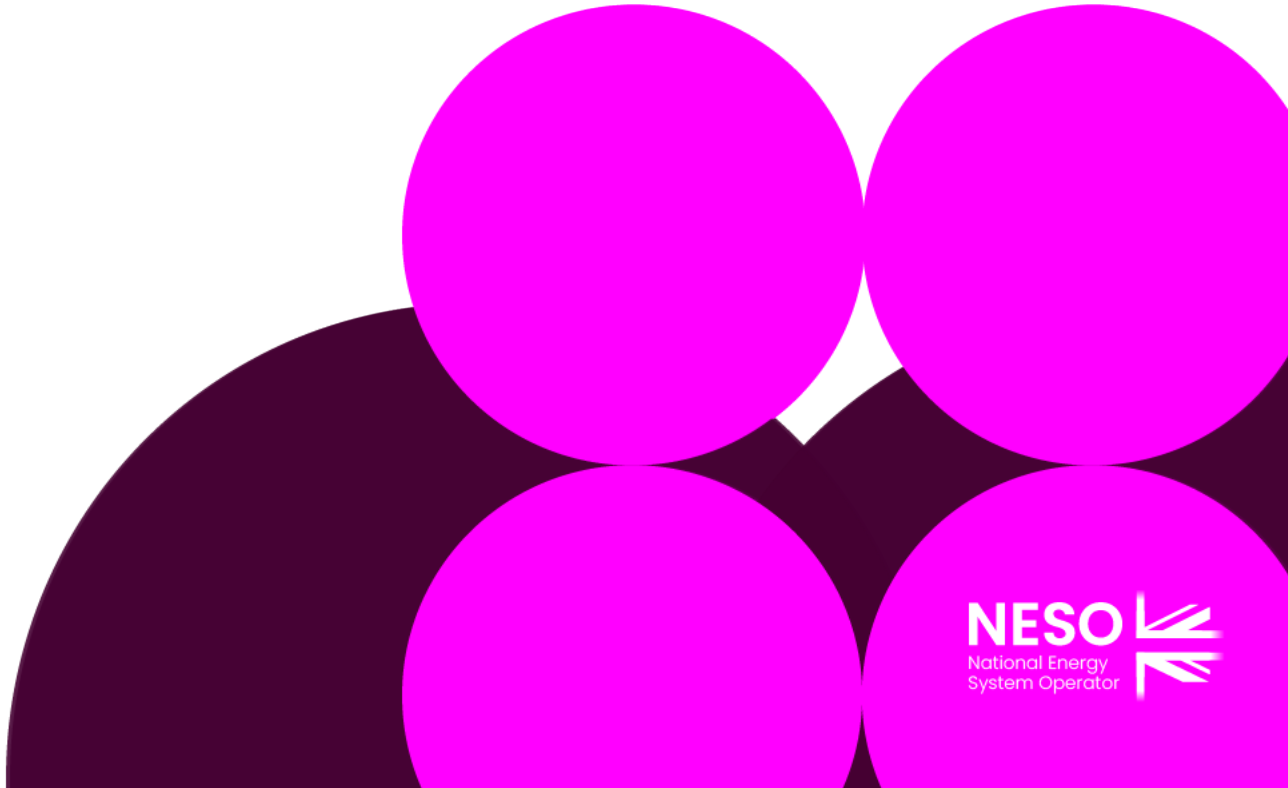
Agenda

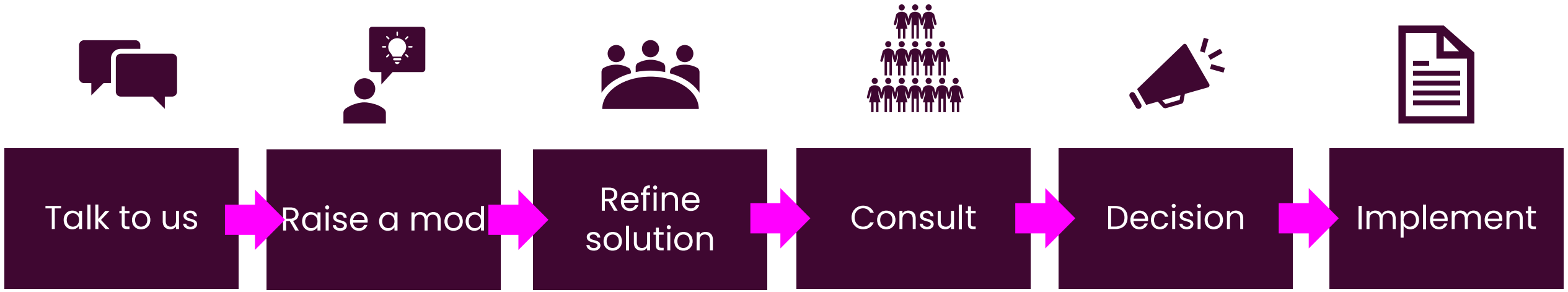
Topics to be discussed	Lead
Welcome and introductions	Chair
Code Modification Process Overview • Workgroup Alternatives and Workgroup Vote • Workgroup Responsibilities	Chair
Objectives and Timeline • Walk-through of the timeline for the modification	Chair
Proposer presentation	Proposer
Review Terms of Reference	All
Any Other Business	Chair
Next Steps	Chair

Modification Process

Robert Hughes – NESO Code Administrator



Code Modification Process Overview



Forums

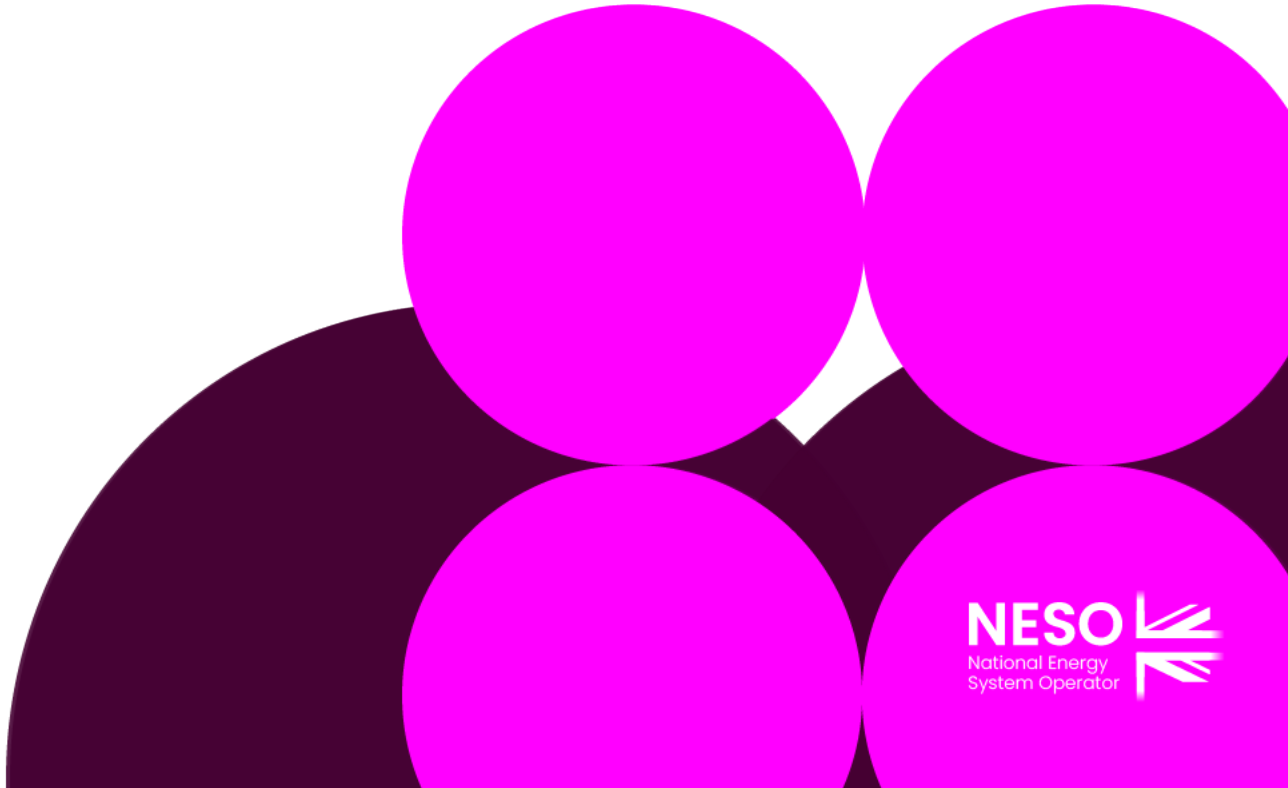
Panels

Workgroups
Workgroup Consultation
Code Administrator Consultation

Ofgem

Workgroup Alternatives and Workgroup Vote

Robert Hughes – NESO Code Administrator



What is the Alternative Request?

What is an Alternative Request? The formal starting point for a Workgroup Alternative Modification to be developed which can be raised up until the Workgroup Vote.

What do I need to include in my Alternative Request form? The requirements are the same for a Modification Proposal you need to articulate in writing:
- a description (in reasonable but not excessive detail) of the issue or defect which the proposal seeks to address compared to the current proposed solution(s);
- the reasons why the you believe that the proposed alternative request would better facilitate the Applicable Objectives compared with the current proposed solution(s) together with background information;
- where possible, an indication of those parts of the Code which would need amending in order to give effect to (and/or would otherwise be affected by) the proposed alterative request and an indication of the impacts of those amendments or effects; and
- where possible, an indication of the impact of the proposed alterative request on relevant computer systems and processes.

How do Alternative Requests become formal Workgroup Alternative Modifications? The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the current proposed solution(s), the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Workgroup Alternative Modifications? NESO will assist Proposers and Workgroups with the production of draft legal text once a clear solution has been developed to support discussion and understanding of the Workgroup Alternative Modifications.

Not for SQSS

Can I vote? And What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative STC Modifications.

- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the STC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative STC modification (ASM)** and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

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Can I vote? And What is the Workgroup Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

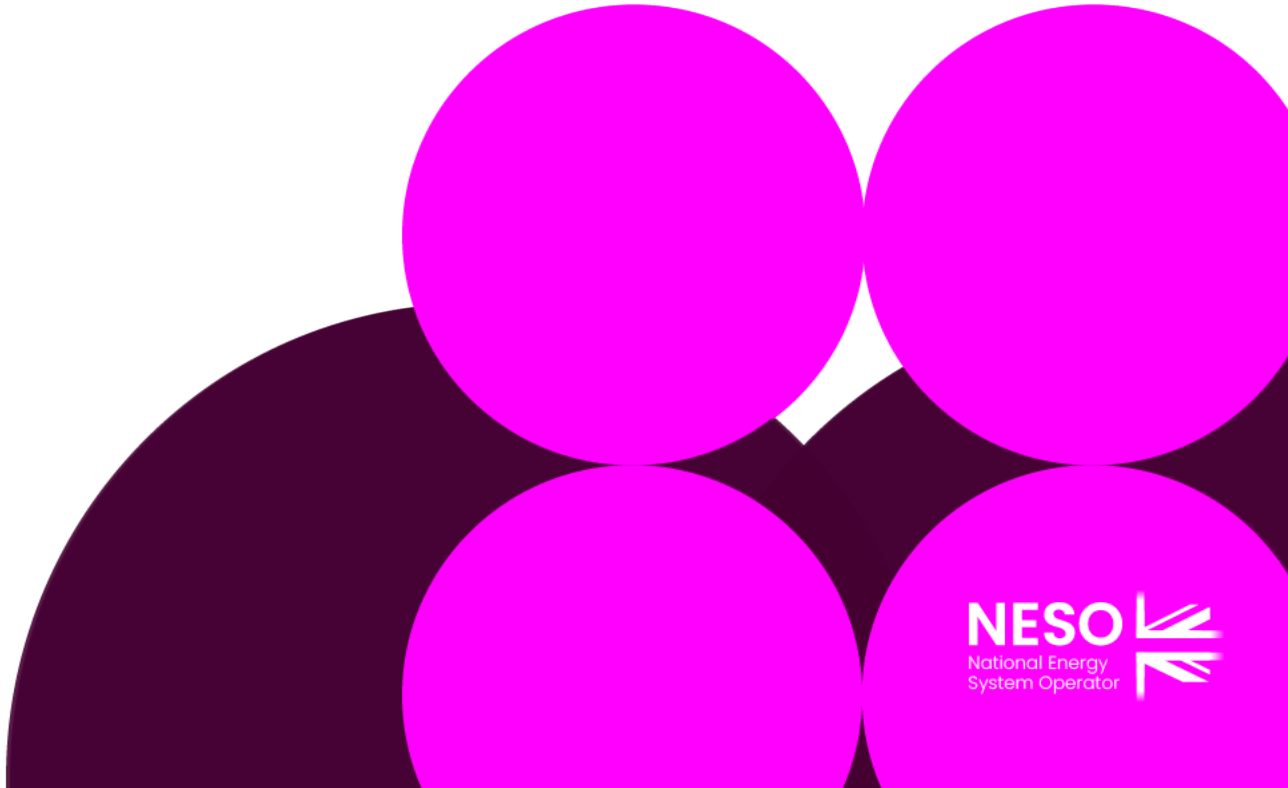
Stage 2 – Workgroup Vote

- 2a) Assess the original against the relevant Applicable Objectives compared to the baseline (the current code)
- 2b) Vote on which of the options is best.

Alternate Requests cannot be raised after the Stage 2 – Workgroup Vote

Workgroup Responsibilities and Membership

Robert Hughes – NESO Code Administrator



Expectations of a Workgroup Member

- Contribute to the discussion
- Be respectful of each other's opinions
- Language and Conduct to be consistent with the values of equality and diversity
- Do not share commercially sensitive information
- Be prepared - Review Papers and Reports ahead of meetings
- Complete actions in a timely manner
- Keep to agreed scope
- Email communications to/cc'ing the .box email

Your Roles

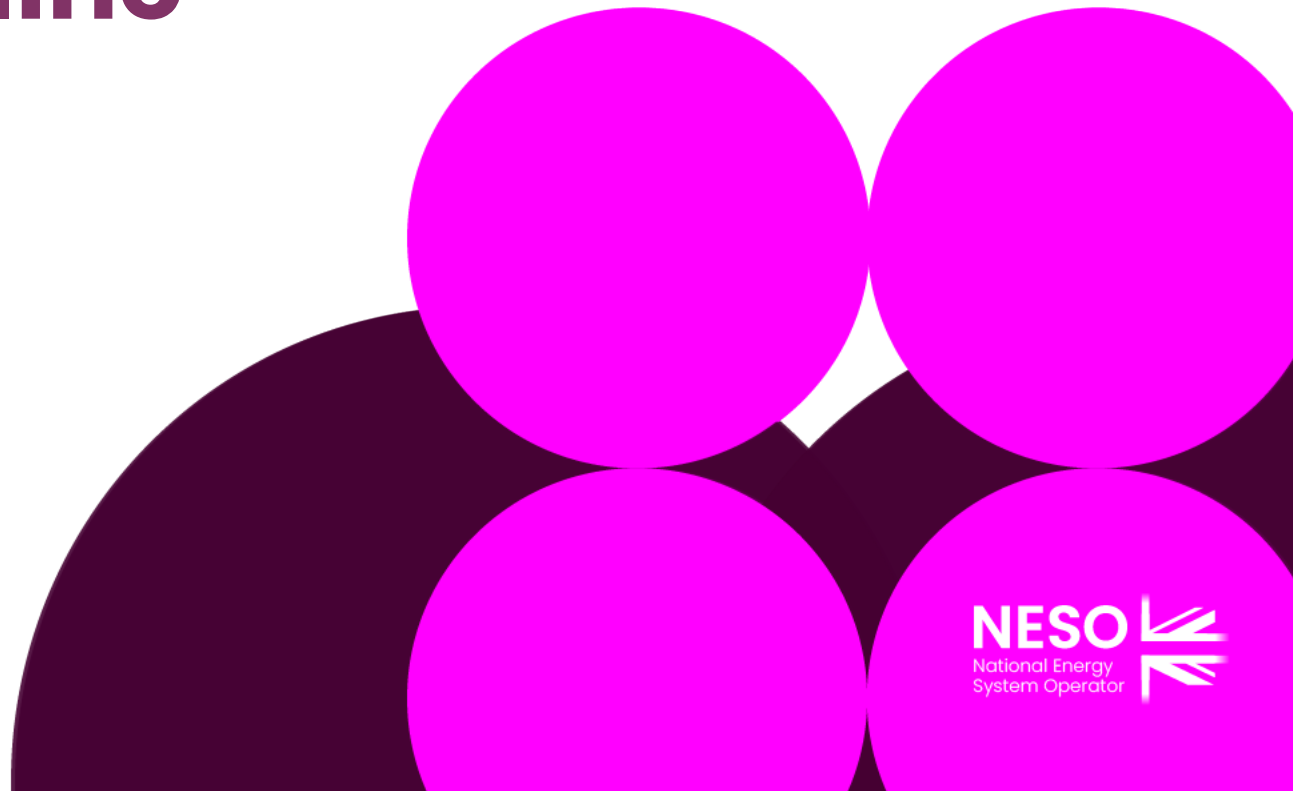
- Help refine/develop the solution(s)
- Bring forward alternatives as early as possible
- Vote on whether or not to proceed with requests for Alternatives
- Vote on whether the solution(s) better facilitate the Code Objectives

Workgroup Membership

Role	Name	Alternate	Company
Proposer	Steve Baker		NESO
Workgroup Member	Matthew Paige-Stimson	Ben Sayah	National Grid Electricity Transmission (NGET)
Workgroup Member	Harriet Eckweiler	Neil Bennett	Scottish Hydro Electric Transmission plc. (SHET)
Workgroup Member	Gareth Williams	Lynne Bryceland	Scottish Power Transmission plc. (SPT)
Observer	Darshak Shah		BP Exploration
Observer	Martin Cahill	Sean Nugent	NESO
Authority Representative	Chris Patrick		Ofgem

Objectives and Timeline

Robert Hughes – NESO Code Administrator

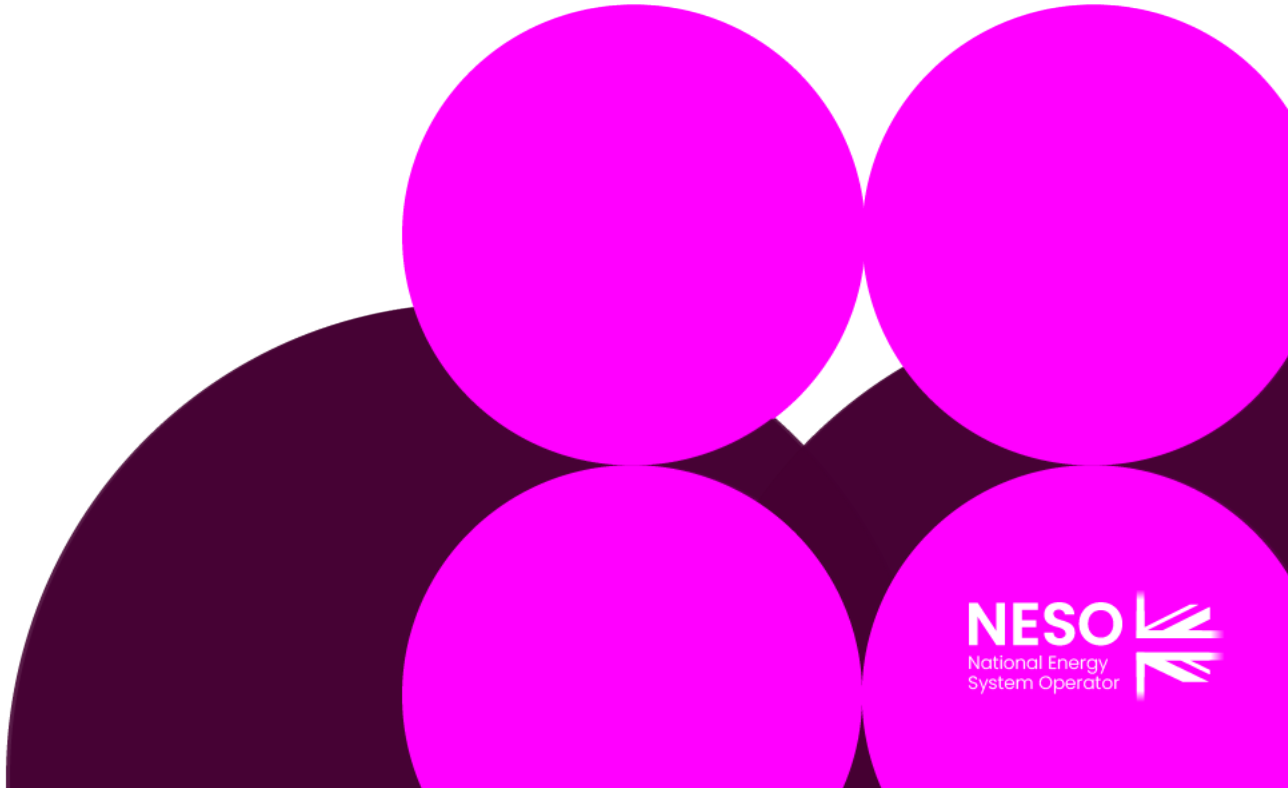


CM093 Objectives and Timeline

Timeline	Workgroups	Objectives
Workgroup 2	14 October 2025	Review Proposal and legal text
Workgroup 3	03 November 2025	
Workgroup 4	01 December 2025	
Workgroup 5	06 January 2026	Finalise Workgroup Consultation
Workgroup Consultation	02 February 2026 – 23 February 2026	
Workgroup 6	30 March 2026	Review Consultation feedback
Workgroup 7	22 April 2026	Finalise Report
Workgroup 8	12 May 2026	Agree ToR met /Workgroup Vote
Workgroup Report to Panel	24 June 2026	Panel sign off ToR
Post Workgroups		
Code Administrator Consultation	01 July 2026 – 22 July 2026	
CM093 Draft FMR to Panel	18 August 2026	
CM093 FMR to Ofgem	07 September 2026	
CM093 Implementation Date	10 Business Days after Authority Decision	

Proposer's Solution: Background; Proposed Solution; Scope and legal text

Steve Baker – NESO



Background

There are two security methodologies currently in use to determine a User's financial liability and security requirement which is required in relation to the provision of new, or amended capacity:

- CUSC section 15 'User Commitment Methodology' - Users: Applies to all customers categorised as generation or embedded generation.
- Final Sums methodology – outlined in CUSC Schedule 2, Exhibit 3, Part 2 - Users: Directly connected demand customers and DNO's (embedded demand, transmission works not triggered by embedded generation)

CUSC section 15 principles include security requirements reducing as a connection becomes more certain and hits key milestones, the ability to fix attributable securities and the securing of a wider liability applicable to all parties. For Customers under Final Sums methodology, for their security requirements, they must secure all the TO spend required to connect their project.

The differing approaches has created a two-tiered process and this modification is aiming to introduce more equitable treatment to all Users connecting to the NETs by extending some of the principles under CUSC section 15 to Users under Final Sums methodology.

Context

Covers a proportion of liability; reducing rate as project passes set milestones and nears completion

CMP192, and subsequent mods worked to lower perceived barriers to new entrants and incentivise timely communication of termination.

Demand Users were not included in these mods – general consensus at the time was that Demand users only triggered the specific assets built to connect them

CUSC Section 15 User Commitment Methodology

- CMP192 Generators - 2012
- CMP222 Interconnectors and Pumped Storage - 2015
- CMP223 Embedded Gen with BEGA, Distribution System – Connection Agreement with Distributed Gen - 2015

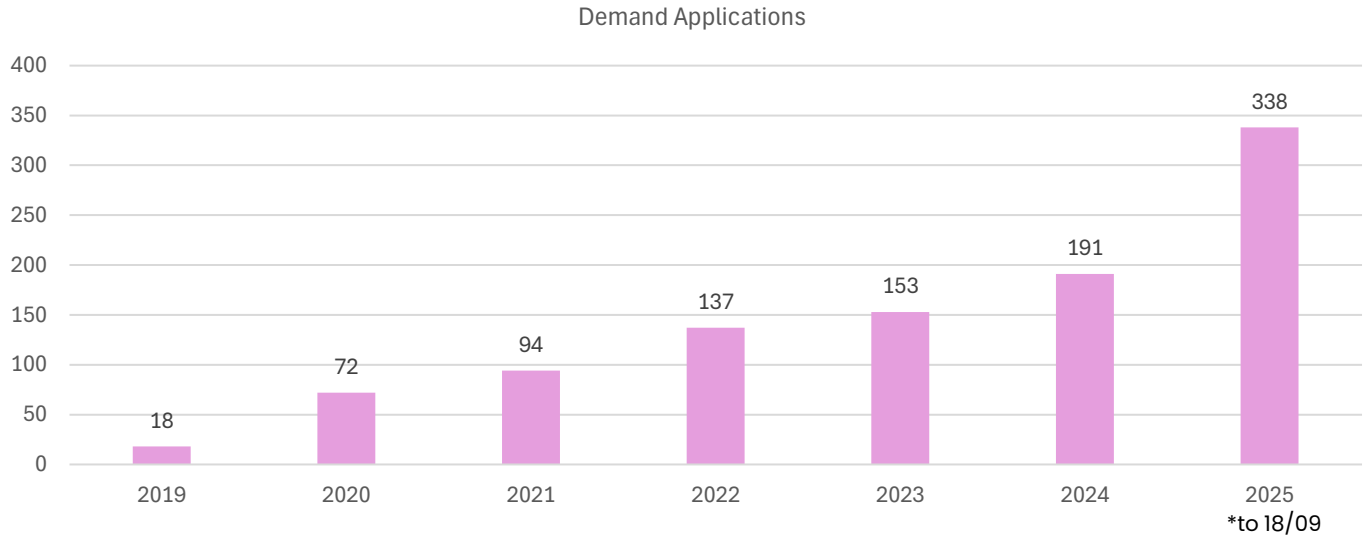
Final Sums methodology

- Distributed connected Demand
- Transmission connected Demand
- DNO not triggered by EG (e.g. asset replacement works)

User will secure all spend to connect their project as it progresses. No reducing factors applied, secures 100% of a TO's spend to connect their project

Why change and what is the defect?

- An increase in Demand connections over recent months and years has driven transmission works beyond the connection site – previous extension of Section 15 to other Users has been a stepped process with Demand Users out of scope of those mods due to the type of works they initiated



We are now seeing increasing Demand Connections which are driving Transmission Works beyond the Connection Site

- The principles of Final Sums methodology acts as a barrier to entry for some developers, rendering some projects unviable
- Formal complaints have been received from customers outlining the commercial impact to their businesses because of the substantial security amounts they've received in their Construction Agreements
- Improving the cost reflectivity that Users have on a TO's spend profile will help reduce uncertainty for developers whereby the security they need to secure is reflective of the transmission liabilities they impose
- Note: Existing connection applications on Final Sums will be able to transition to new arrangements (which will need to be reflected in individual contracts before liability can be reduced)

CMP417 Solution

Application of the SIF and LARF

- Determine an Attributable Works definition to include Demand Customers, and for the purposes of this methodology, a definition of Demand Capacity. This will be defined in partnership with STC Mod CM093.
- Methodology for liability/termination/cancellation calculation: TO Spend to date (since 6-month forecast)x(1-LARF)xSIF
- SIF and LARF in STC to be expanded to all users and provided by the TO's
- Demand capability as provided by Connection Application is used to calculate SIF and wider liability (TEC is used for Generation)

Introduction of Secured Amount

- Security is a proportion of the total liability - based on the concepts of 'trigger date' and 'not consented' and 'consented'

Ability for a customer to Fix their liabilities

- A customer can fix the current TO forecast for their attributable schemes and remains with that value regardless of TO updates to scheme figures.

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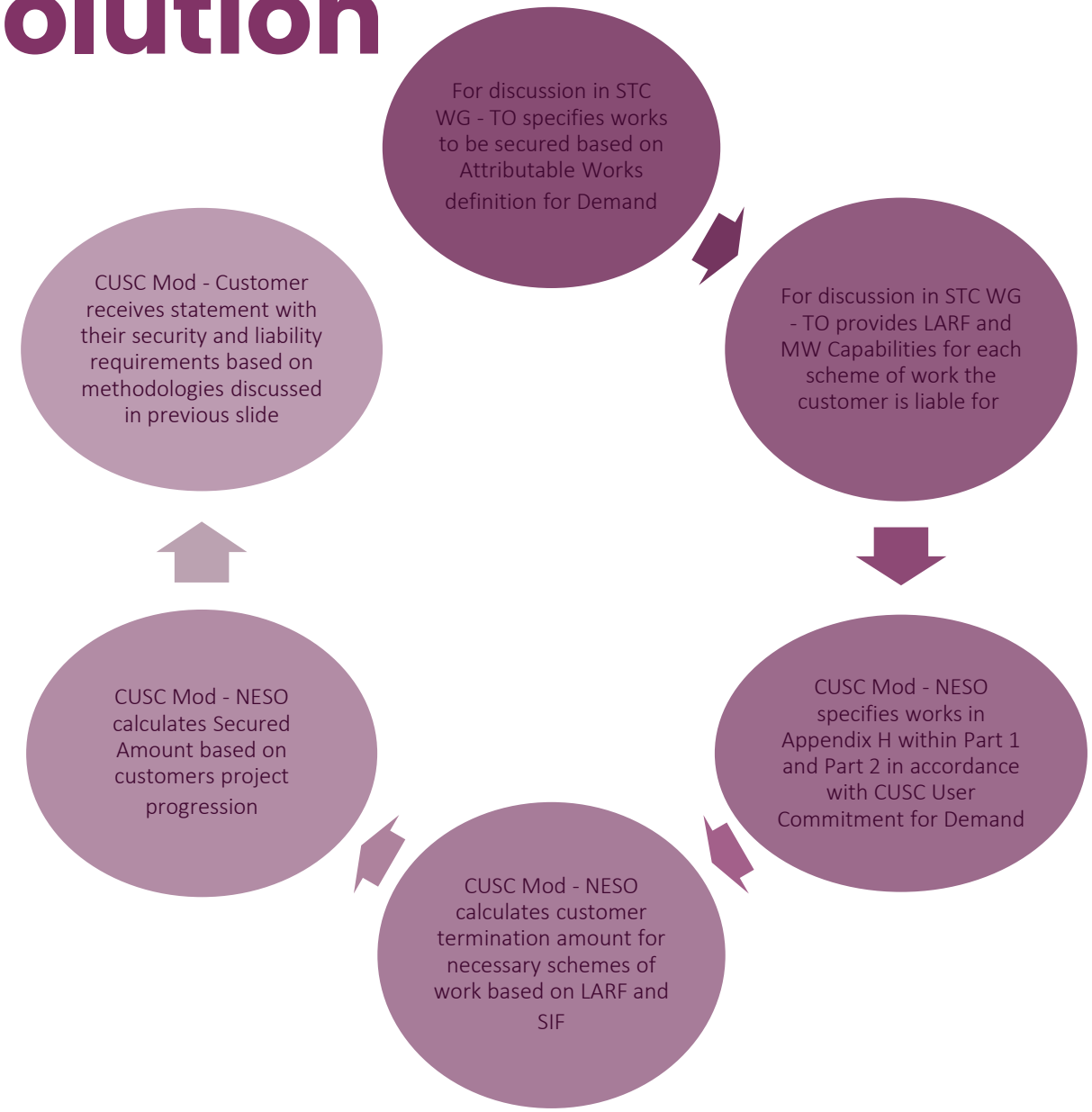
CM093 Solution

Our proposed solution for this STC Mod is to work with the TO's to define and scope works that customers are liable and required to secure in line with the CUSC Final Sums conventions i.e. Part 1 works required for the User and Part 2 wider system works within the Transmission Owner Construction Offer/Agreement (TOCO/A). We also see that attributable works for these user groups should be scoped, defined and implemented in the TOCO/A and in line with the CUSC Offer/Agreements.

CMP417 solution provides reducing factors to a customer's liability, producing a customer's cancellation charge or termination amount. We'd therefore like to see the necessary change in STC whereby TO's provide the Attributable Works Scheme Capabilities which NESO use to calculate Strategic Investment Factor (SIF), and Local Asset Reuse Factor (LARF) for all Users not just those currently specified in STC Section 9.

CM093 Solution



Potential areas that will need to be addressed as part of CM093

- STC Schedule 9, 7.5 Provision of Bi-annual estimate – this section refers to an estimate – we would like WG discussion on consideration of how works should be structured in the TOCA and flow through to Construction Agreement which may require clarity to be added into this schedule – we suggest bringing this in line with CUSC Schedule 2, Exhibit 3 Part 2, and further defining Appendix H Part 1 – Enabling Works (work required for the User) and Part 2 – Wider Transmission Reinforcement Works (works required for wider system reasons);
- STC Schedule 9, Section 12: Attributable Works –requires workgroup discussion in conjunction with the CMP417 Workgroup on clarity of Attributable works for Demand;
- STC Section J – Interpretation and Definitions – possible amendments to terms "TO Final Sums" and "Attributable Works" – requires workgroup discussion in conjunction with the CMP417 Workgroup.
- STC Section I (or potentially Section D which currently documents the transition plan for CMP192) Transition – there will be a transition period for existing Users on Final Sums methodology to move to the new regime.
- **Proposed process amends:**
- Creation of a STCP SIF and LARF methodology for Final Sum methodology Users or an amendment to STCP13-2 SIF and LARF methodology – requires WG discussion and would follow through as a separate SCTP Modification.
- Creation of a Future Final Sums methodology guidance note, which we would like the WG to review.

Detailed areas for discussion for the Workgroup are:

What constitutes as Part 1 ‘work required for the User’?

What constitutes as Part 2 ‘works required for wider system reasons’

How should ‘shared’ works be treated?

1. Triggered by generation
2. Triggered by demand
3. other

Does the Attributable works definition work for Demand?

How should we define Attributable works for Demand?

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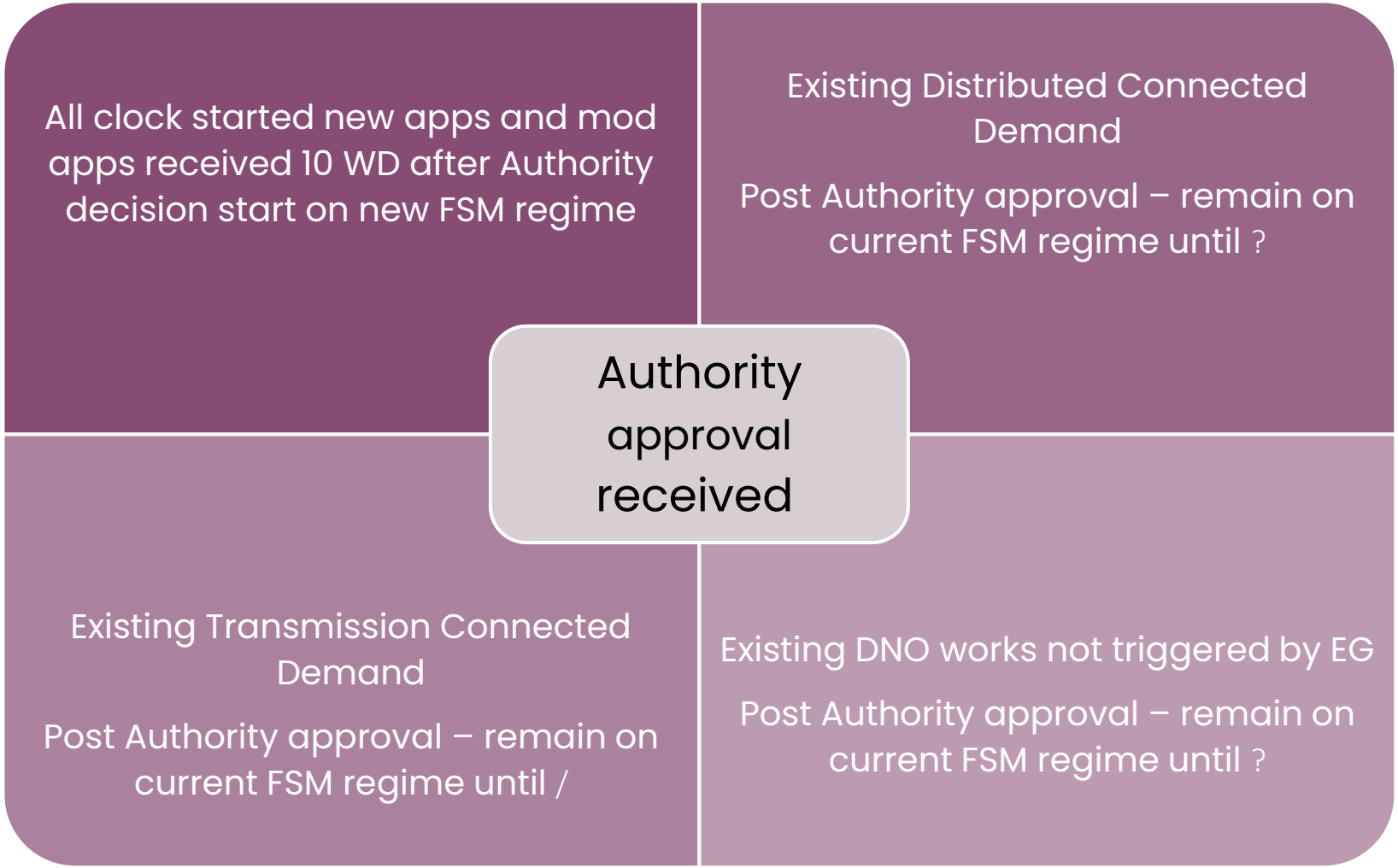
Implementation – transition plan in line with CMP417



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Suggestions for Workgroup to consider – to be agreed at Workgroup 2

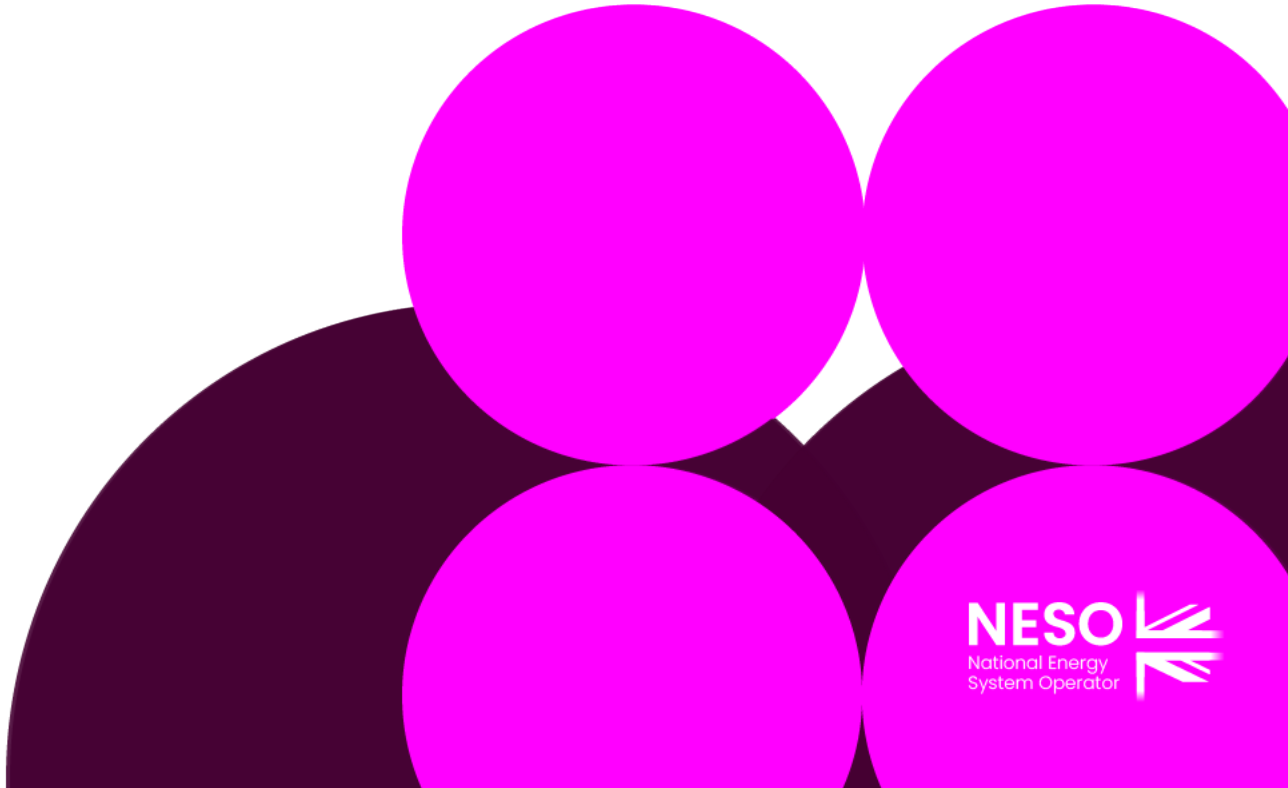
An STCP Modification to cover amendments to STCP13-2 will need to be raised. We suggest any changes are discussed within this WG prior to the modification being raised.

Should the CMP417 and CM093 workgroups be run in tandem or together?

Should the CMP417, CM093, and STCP changes be sent as a package to Ofgem in order for a decision to be made?

Review Terms of Reference

Robert Hughes – NESO Code Administrator

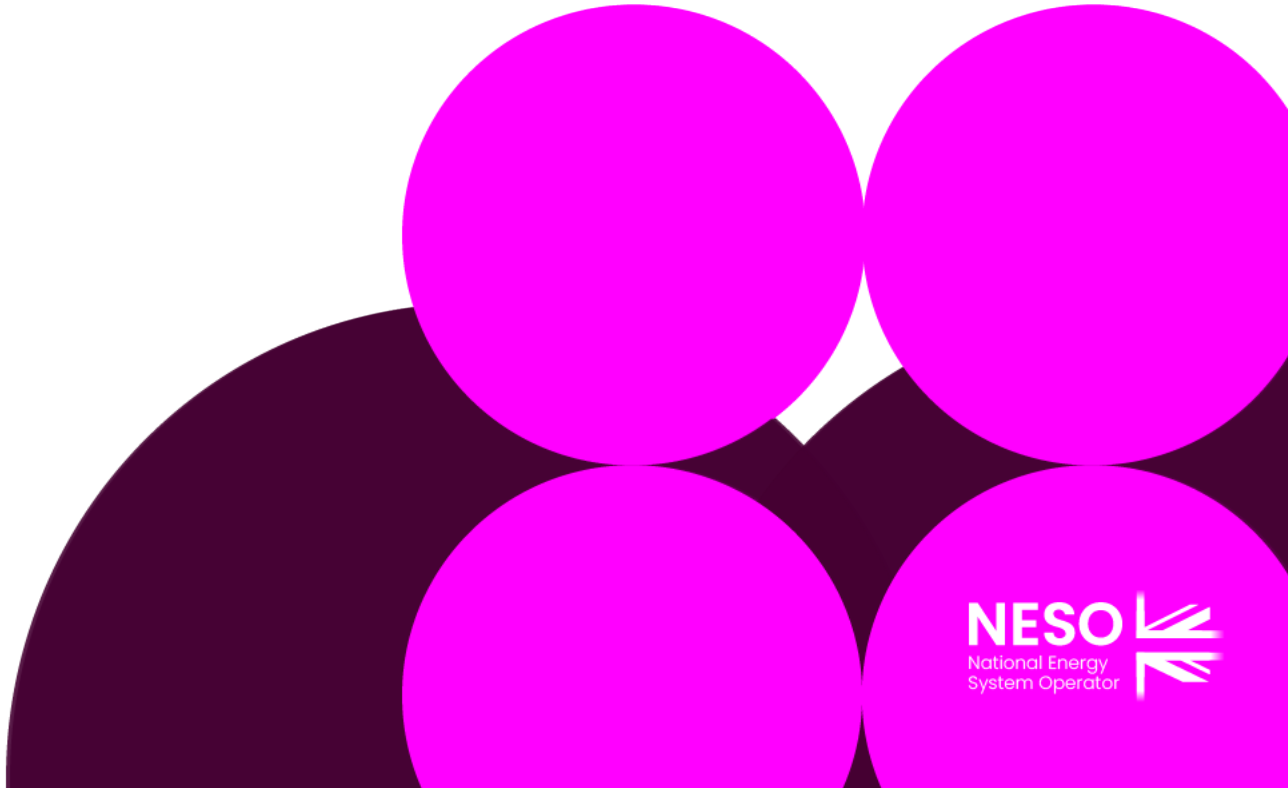


Terms of Reference

Terms of Reference
a) Implementation
b) Review and support the legal text drafting.
c) Ensure the appropriate Industry experts or stakeholders are engaged in the Workgroup to ensure that all potentially affected stakeholders have the opportunity to be represented in the Workgroup
d) The cross Code impacts this Modification has, in particular the CUSC (CMP417)
e) Consider the wider consequences of the proposed changes, including any TO investment risk, commercial signals to developers, and any interactions with on-going Connections Reform.

Any Other Business

Robert Hughes – NESO Code Administrator



Next Steps

Robert Hughes – NESO Code Administrator